

SERVICE TRENDS ANALYSIS

FOR SMALL SYSTEMS

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SERVICE TRENDS ANALYSIS FOR SMALL SYSTEMS

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SERVICE TRENDS ANALYSIS FOR SMALL SYSTEMS

- **Definitions and Overview**
- **User Serviceability**
- **Warranty Service**
- **Trends in Maintenance Prices and Costs**

SMALL SYSTEM DEFINITION

- **Supermicro and Traditional Minicomputer**
- **Word Length: 8 Bit to 32 Bit**
- **Configuration Price: \$15K - \$350K**
- **Low-end: IBM PC-AT, Altos, Microvax II**
- **High-end: System 36, MV 4000**

LARGE SYSTEM DEFINITION

- **Traditional Mainframes and Superminis**
- **Word Length 32 Bit and above**
- **Configuration Price of \$350K and above**
- **Low-end: 438X, VAX 11/7XX, Nonstop**
- **High-end:**
 - **309X-like Machines**
 - **Multiprocessor Configurations**
 - **Supercomputers**

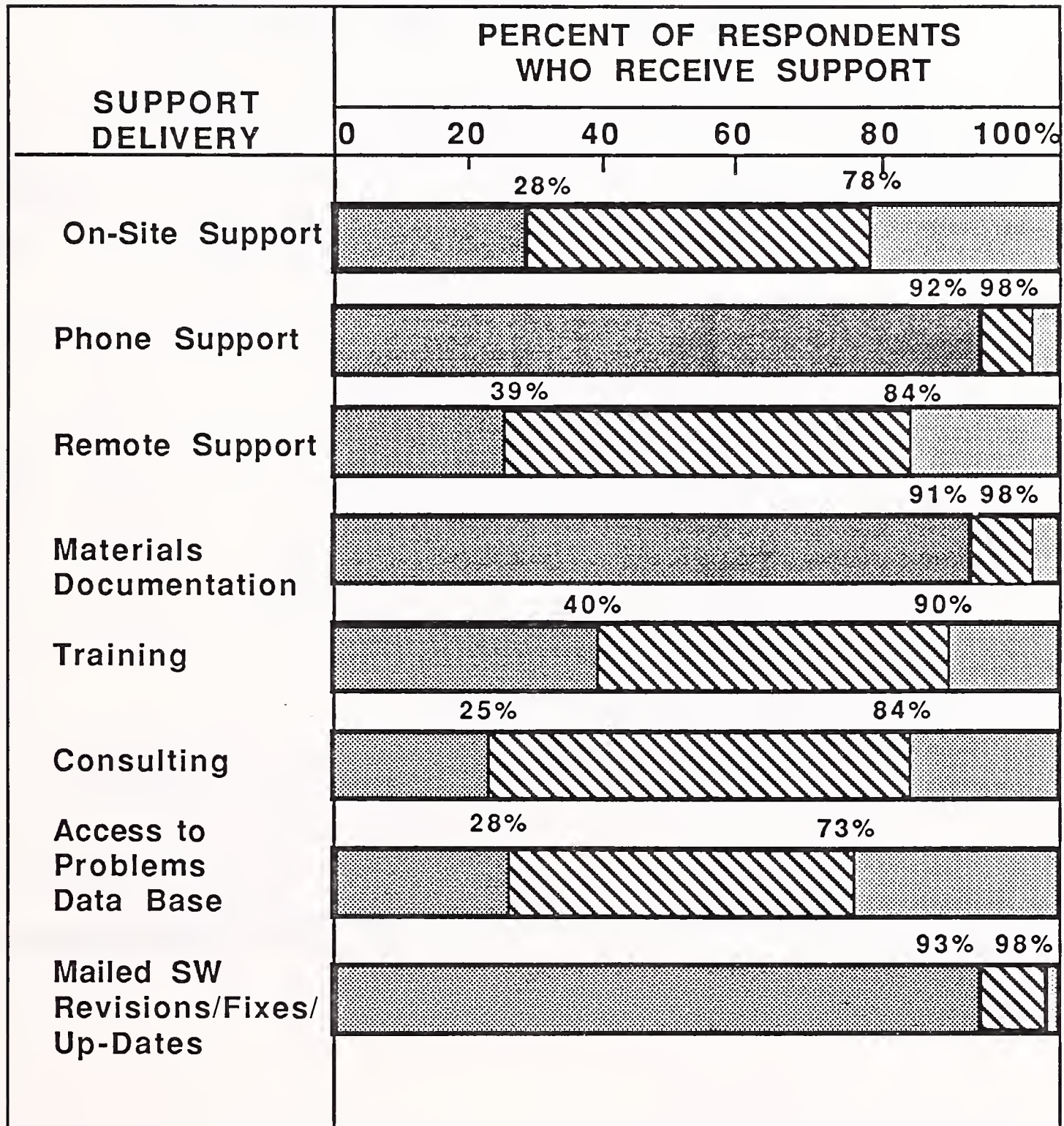
SMALL-SYSTEM INTERVIEW SAMPLE BY PRODUCT

Total Interviews: 372			
Burroughs		Honeywell	
B19XX	26	DPS/6	<u>20</u>
B9XX	4	Total	20
B9X	<u>2</u>		
Total	32	IBM	
		Series 1	20
Datapoint		System 36	20
86XX	13	System 38	<u>24</u>
88XX	<u>4</u>	Total	64
Total	17		
		NCR	
DEC		9100	20
VAX 11/750, 780	29	9300	<u>21</u>
PDP11/70	<u>20</u>	Total	41
Total	49		
		Perkin Elmer	
Data General		32XX	<u>18</u>
MV Series	20	Total	18
Nova	11		
Eclipse	<u>14</u>	Prime	
Total	45	750	4
		850	7
Four Phase		2250	7
IV/40 - IV/90	<u>21</u>	9950	<u>2</u>
Total	21	Total	20
Hewlett-Packard		Other	20
3000	<u>25</u>		
Total	25		

IBM MAINTENANCE SERVICES

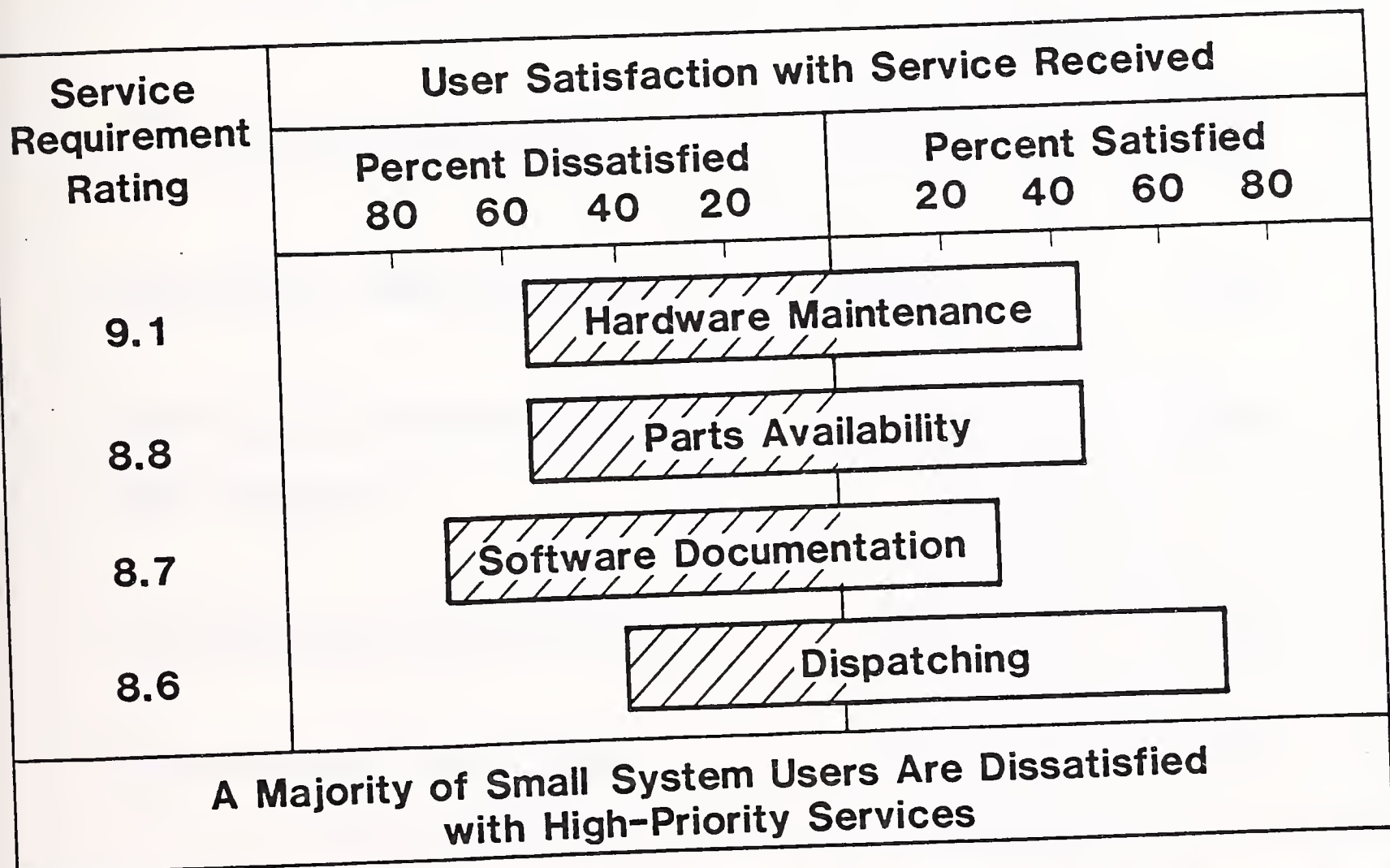
	1984	1985	1986 (Est.)
Worldwide Maintenance Services (\$ M)	\$5,266	\$6,103	\$7,122
Growth in Year	15.1%	15.9%	16.7%
Percent of Total Revenue (Worldwide)	11.5%	12.2%	12.9%

SOFTWARE SUPPORT DELIVERY ALL USERS



Contractually
 Ad Hoc Basis
 Do Not Receive

SMALL SYSTEMS USER REQUIREMENTS FOR SERVICES ARE NOT SATISFIED



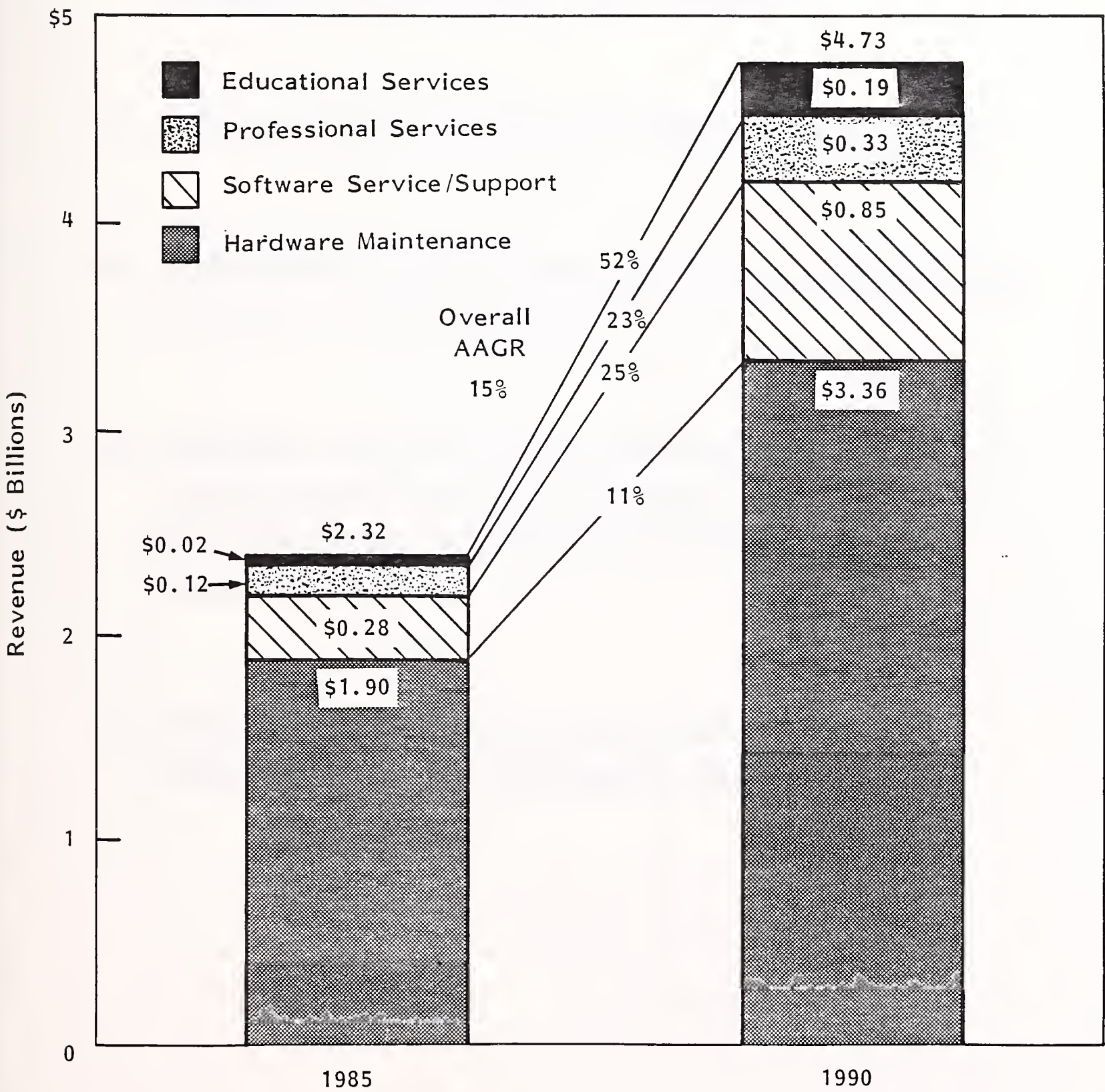
Rating: 1 - Low, 10 - High

THE CHANGING MIX OF SMALL SYSTEMS SERVICE

Service Component	Year	
	1985	1990
Hardware Maintenance	82%	71%
Software Maintenance and Support	12%	18%
Professional Services	5%	7%
Educational Services	1%	4%

SMALL SYSTEMS CUSTOMER SERVICE REVENUE SOURCE MIX

1985-1990

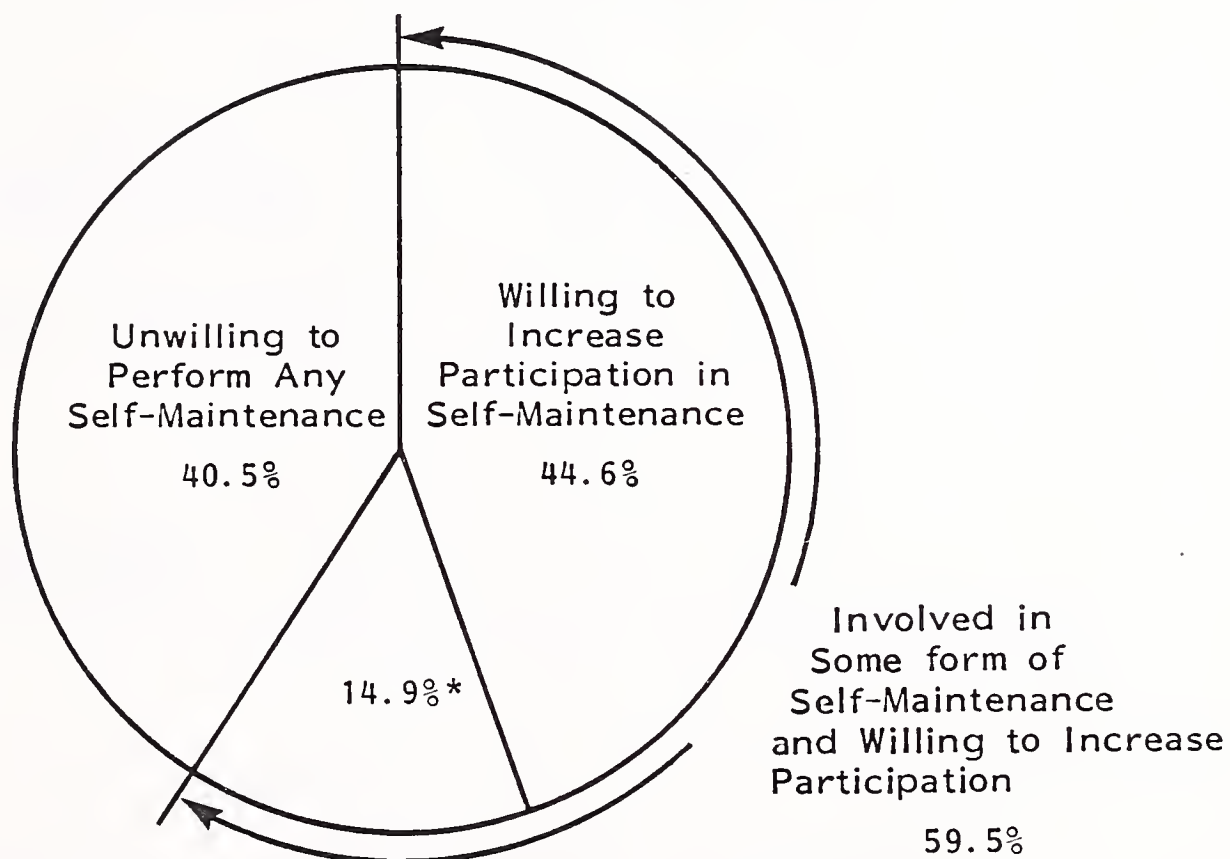


SOFTWARE SUPPORT AND EDUCATION AND TRAINING

- **Currently Produces 22% of Total Software Products Revenues: \$2.3 Billion**
- **Will Increase to 27% by 1990: \$11.5 Billion**
- **Software Support Second only to Marketing in Labor Intensiveness**
- **Remote Support Very Cost Effective (Overwhelmingly Favored by Vendors) but There Is no Substitute for In-person Contact (Users)**
- **Satisfaction Levels Lower for Software Support than for Hardware Support**

USER SERVICEABILITY

MICROCOMPUTER USER INVOLVEMENT IN SELF-MAINTENANCE



*Consider Themselves the Primary Source of Maintenance

Level Willing to Maintain
(In Increasing Order of Difficulty)

Component Level	9.7%
Board Level	62.4
Chip Level	11.8
All Levels	16.1%

SMALL SYSTEMS USER ATTITUDES TOWARD
INCREASED PARTICIPATION IN SOFTWARE SUPPORT

LEVEL OF PARTICIPATION	WILLINGNESS (1-10)
Working with Support Center	7.3
Install Patches, Modifications	6.8
Install New Releases	7.0

DEMOGRAPHICS	(Percent)
Percent Users Who Expect Discount	54.7%
Percent Discount Expected	21.7%

SMALL SYSTEMS USER SERVICEABILITY TRENDS

- **Only Half of U.S. Vendors Offer Self-Service Option**
- **Usually Only to Large (Sophisticated) Users**
- **User More Attracted if Given Phone Support**
- **Parts Provided at Discount**

WARRANTY SERVICE

VENDORS PROVIDING DEPOT-BASED WARRANTY

- **Micros in General**

- **Altos (TRW)**

- **IBM: PC-XT, -AT**

- **AT&T: PC 6300**

VENDORS PROVIDING ON-SITE WARRANTY

- **IBM: System/36, RT, PC/3270**
- **DG: All**
- **Wang: All except PC**
- **HP: All except 150**
- **AT&T: 3B**
- **DEC: All**

SMALL SYSTEM WARRANTY TRENDS

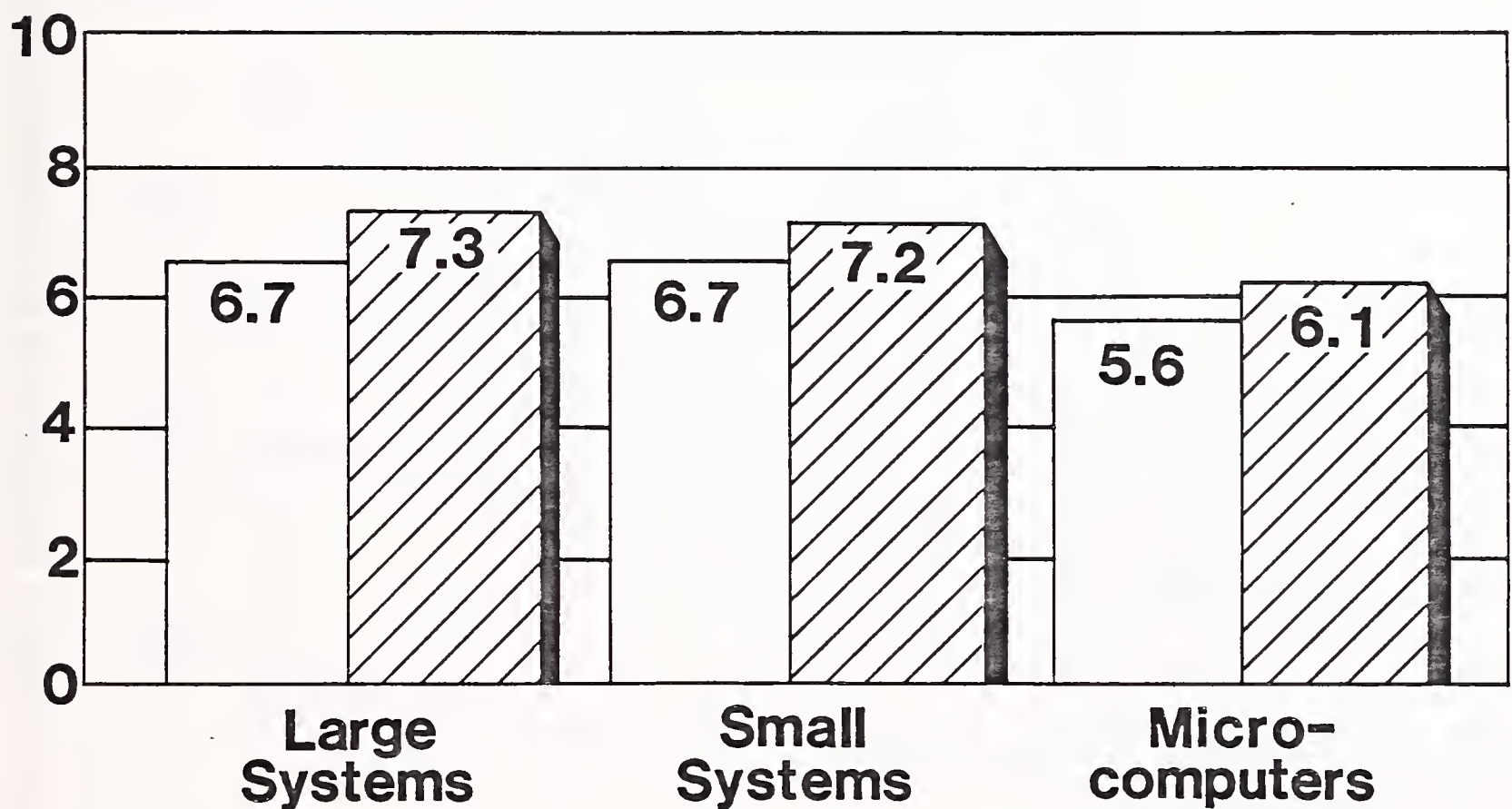
- **Hardware Warranty Duration Slowly Increasing to One Year**
- **Software Warranty Already One Year**
- **On-site Standard for Minis and Available as Upgrade for Micro**
- **Zone/Mileage Limits (50 Mile) Protect Vendor from Dispersed Product Base Commitment**

WARRANTY CONTENTS

- **Parts and Labor Generally Included**
- **Prime Time Coverage Only; T&M outside**
- **PRIME COMPUTER Excludes Parts**
- **Extended Warranty Option as Contract Upgrade**
- **IBM's Multi-year Warranties Are TPM Competition**

TRENDS IN MAINTENANCE PRICES AND COSTS

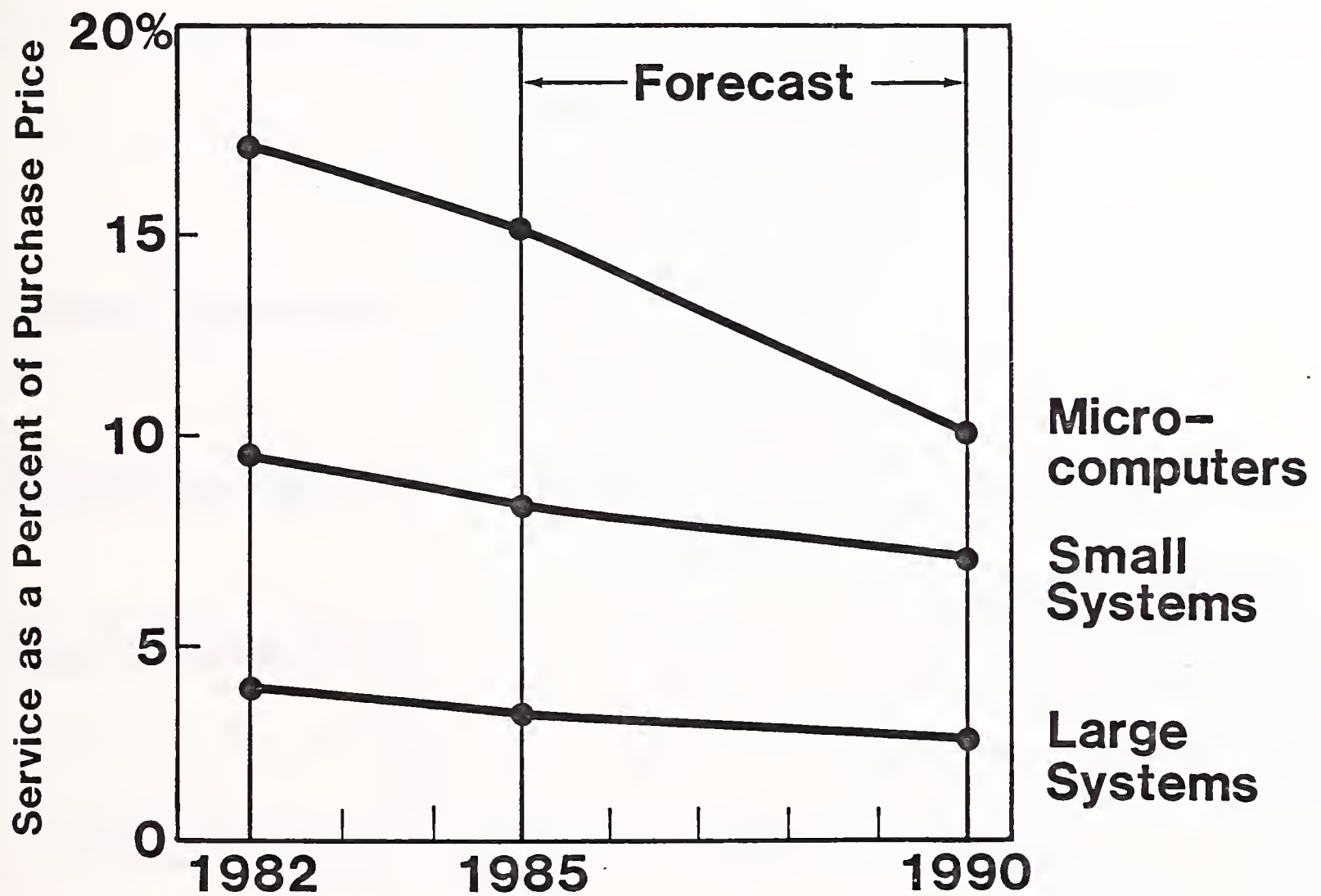
GROWTH OF SERVICE PRICE AS A FACTOR IN PURCHASE DECISION



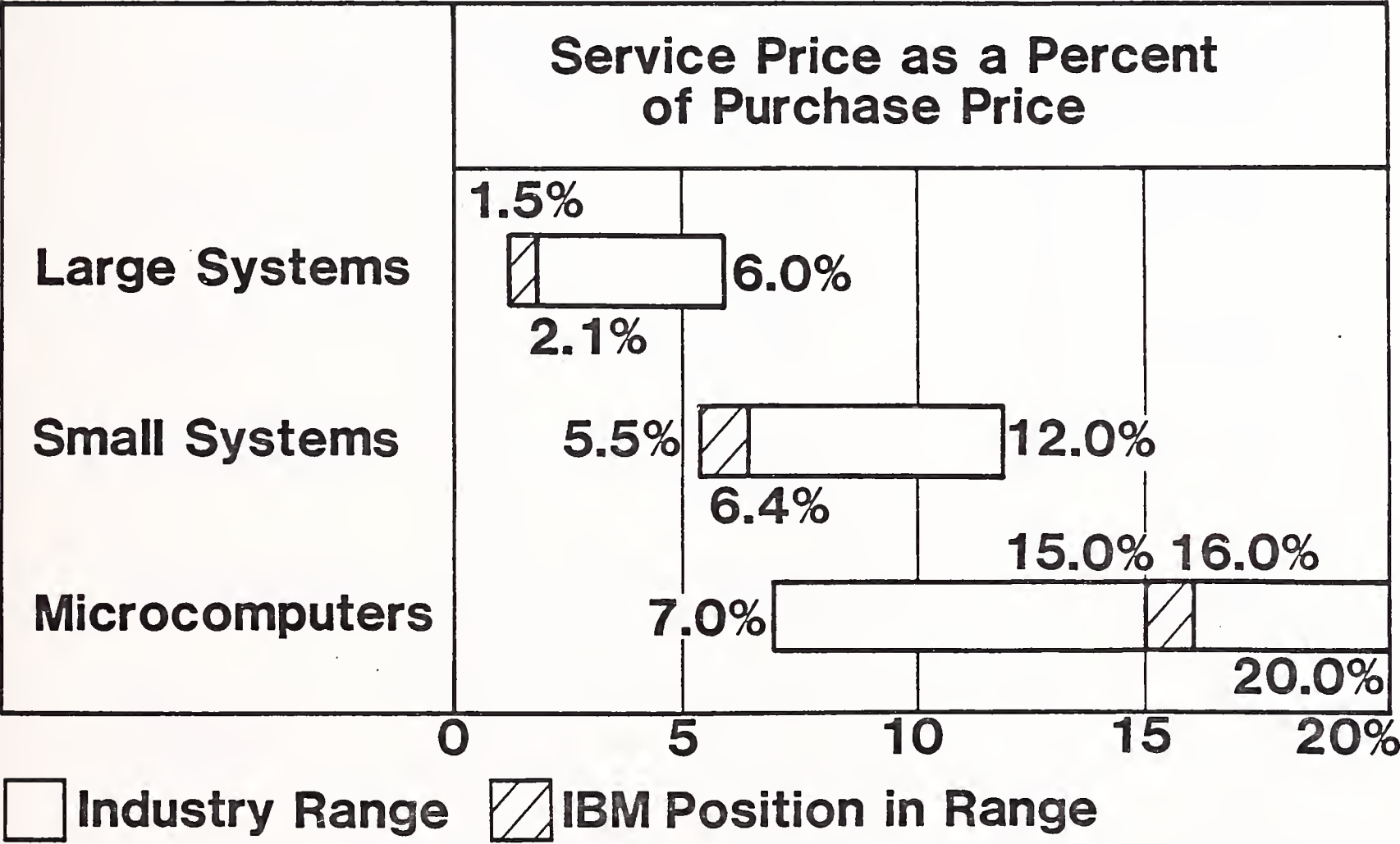
□ 1984 ▨ 1985

Scale: 1 = Least Important
10 = Most Important

GRADUAL DECLINE IN STANDARD SERVICE PRICING



CURRENT INDUSTRY PRICE RANGES



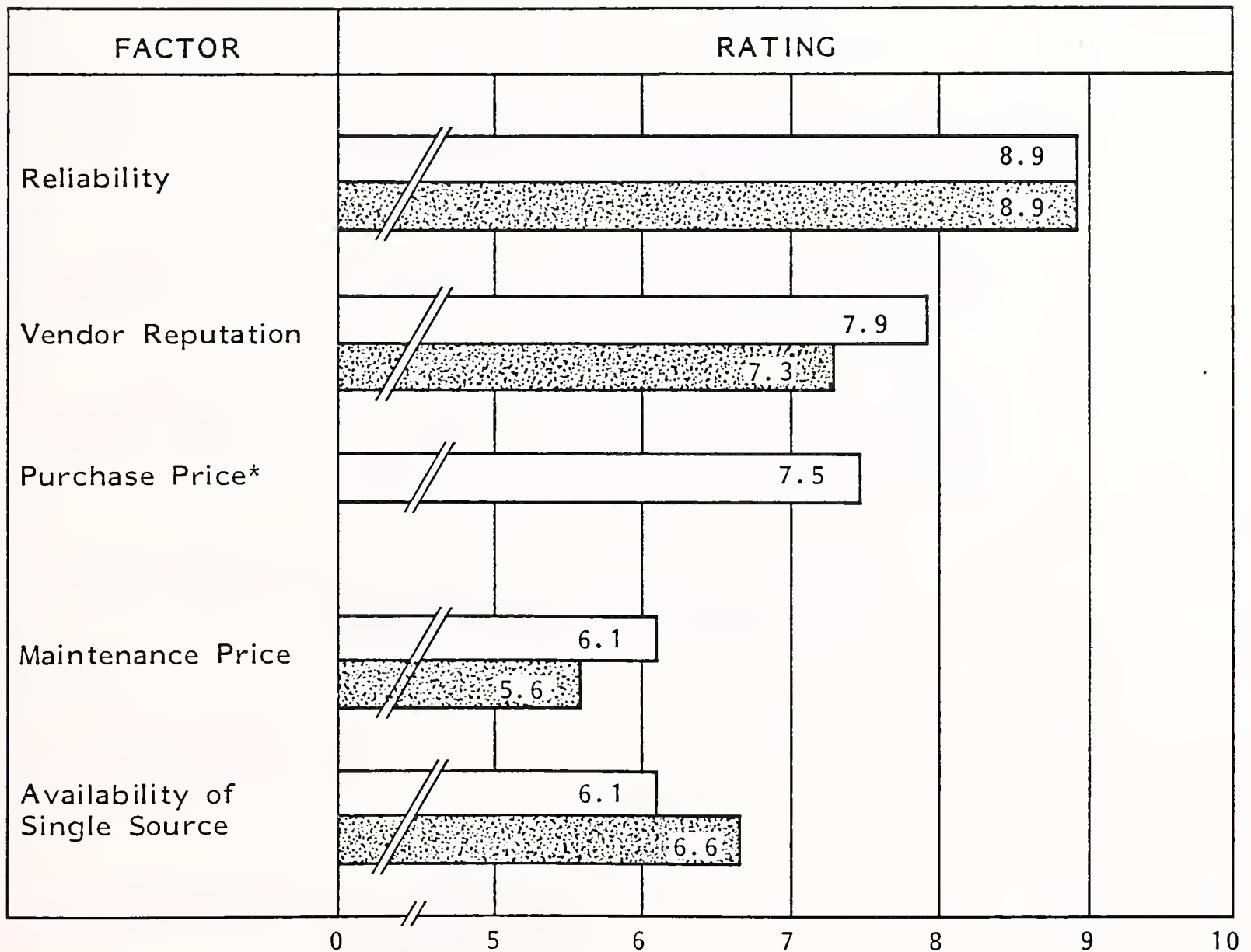
SELECTED IBM MAINTENANCE PRICES

PRODUCT	ANNUAL MAINTENANCE AS % OF PURCHASE	INDUSTRY AVERAGE
3090	1.5%	2-8%
4341	3.8%	4-8%
System/38	8.8%	6-12%
System/36	5.0%	8-10%
Series/1 (4956)	7.3%	10-12%
PC-AT	8.7%	10-15%

IBM 9370
(New Announcements)

MODEL	PRICE (\$)	ANNUAL MAINTENANCE (\$)	Percent
9373/20	\$31,000	\$2,700	8.7%
9375/40	65,000	3,360	5.2
9375/60	93,000	4,200	4.5
9377/90	190,000	6,600	3.5

IMPORTANCE OF SERVICE PRICE IN PURCHASE DECISION . MICROCOMPUTERS



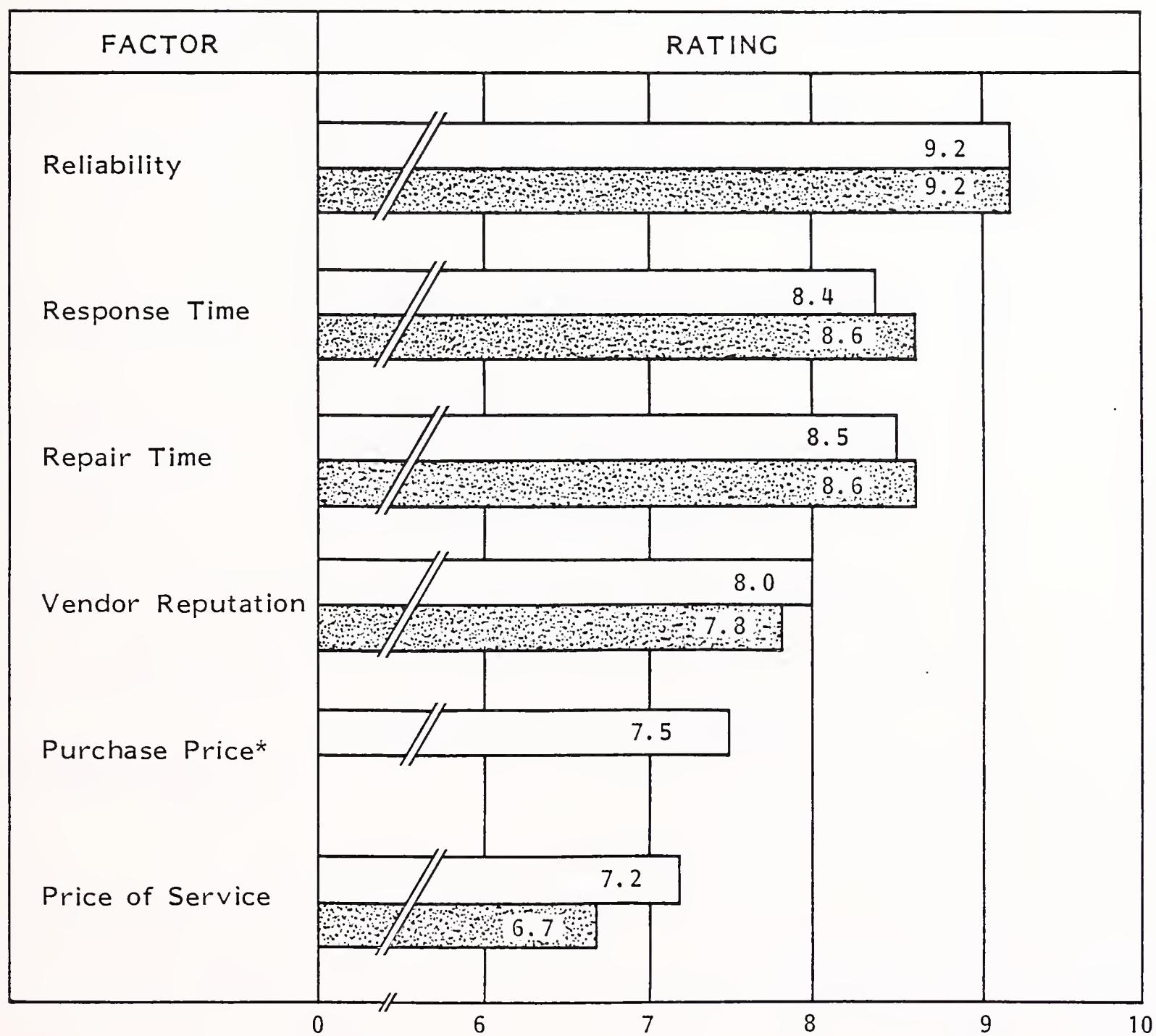
Rating: 1 = Low, 10 = High

Sample: 222 Users

1985
 1984

*Figures not available for 1984.

IMPORTANCE OF SERVICE PRICE IN PURCHASE DECISION SMALL SYSTEMS



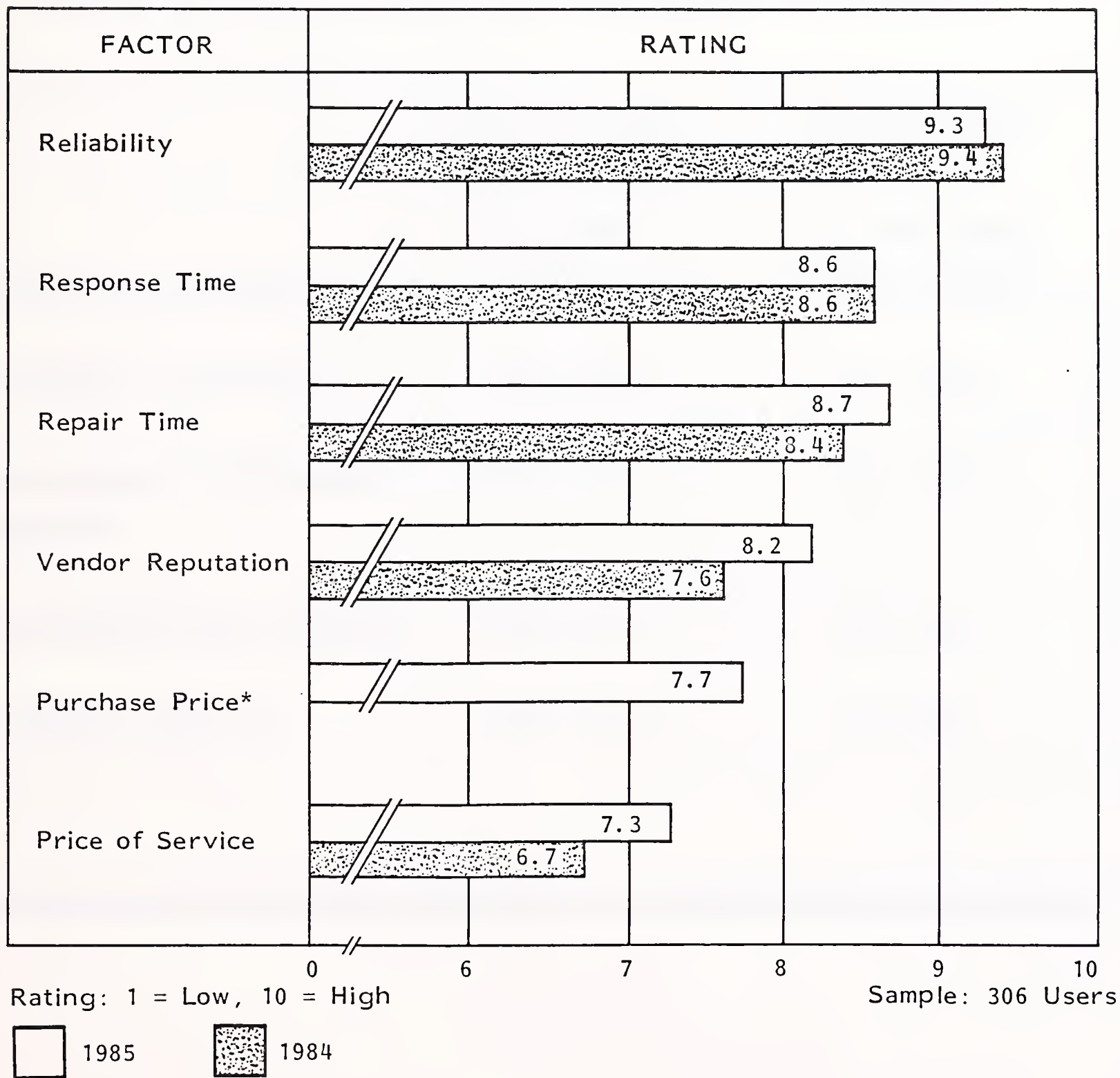
Rating: 1 = Low, 10 = High

Sample: 372 Users

1985
 1984

*Figures not available for 1984.

IMPORTANCE OF SERVICE PRICE IN PURCHASE DECISION LARGE SYSTEMS



*Figures not available for 1984.

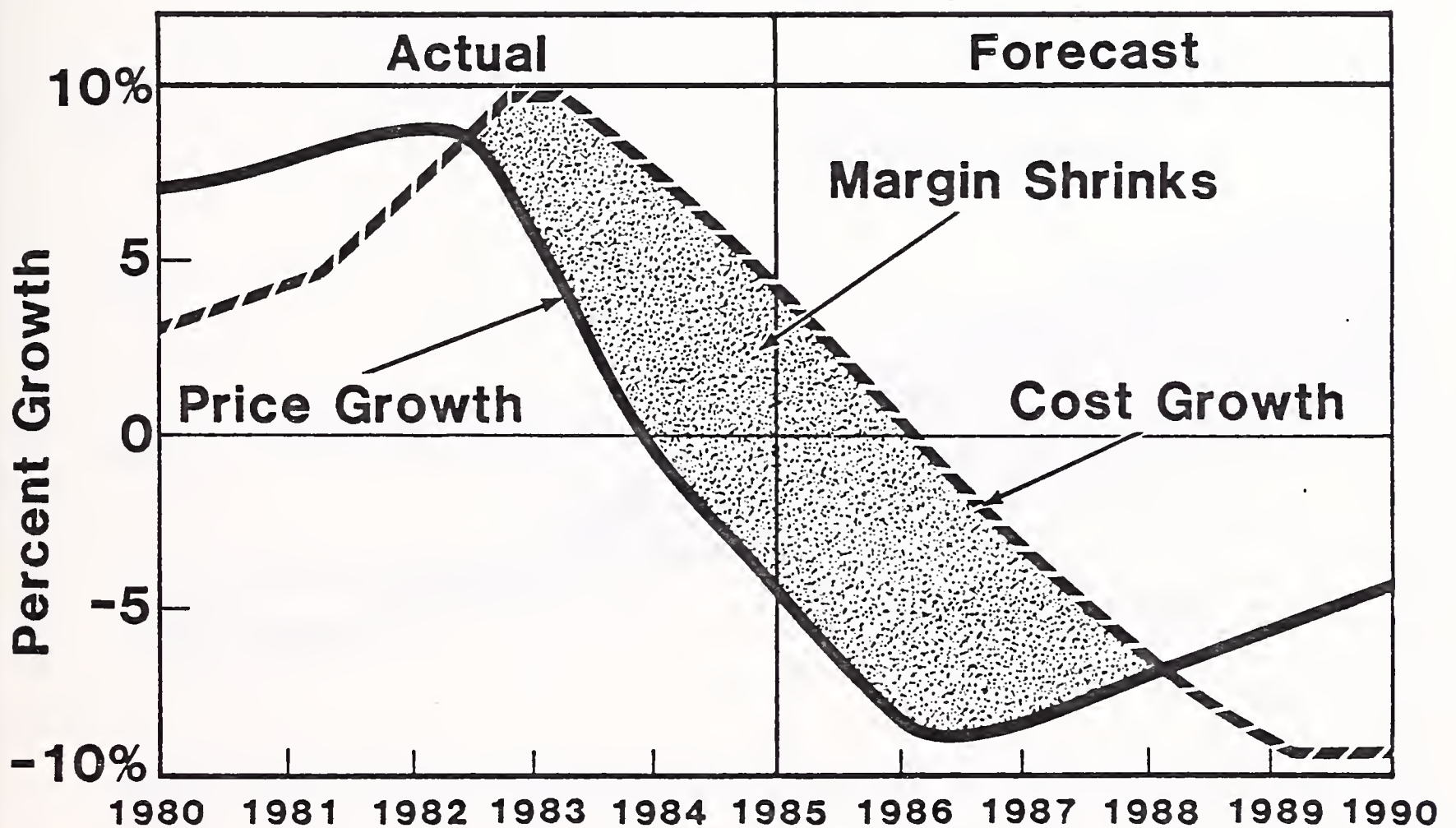
USER ACCEPTANCE OF PREMIUM SERVICES

Extended Service	Percent of Users that Require Service	Acceptable Premium as a Percent Over BMMC
Standby Coverage	26-50%	12-13%
Increased Software Support	26-30%	9-10%
PM, Non-Prime Hours	50-85%	5-7%
On-Site Spares	22-61%	4-5%

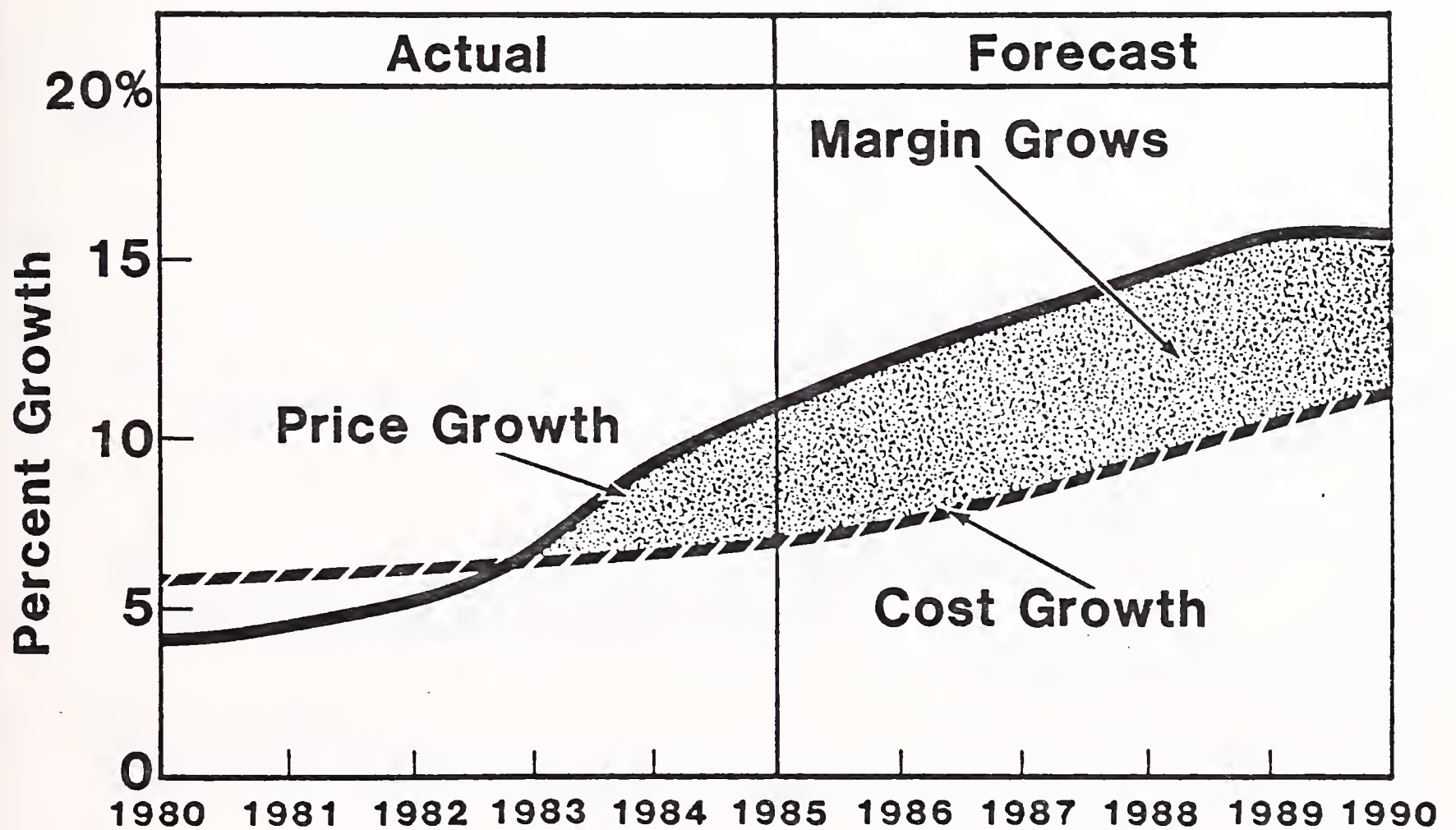
VENDOR SERVICE DISCOUNTING

- **Used to Close New Business or Increase Penetration Into Existing Accounts**
 - **Most Negotiate Service Price at Contract Time**
 - **Multiple System Site Discounts Are Common, Based on Dollar Volume**
 - **Prepayment Discounts Are Becoming Fashionable, in 5% to 18% Range**
-

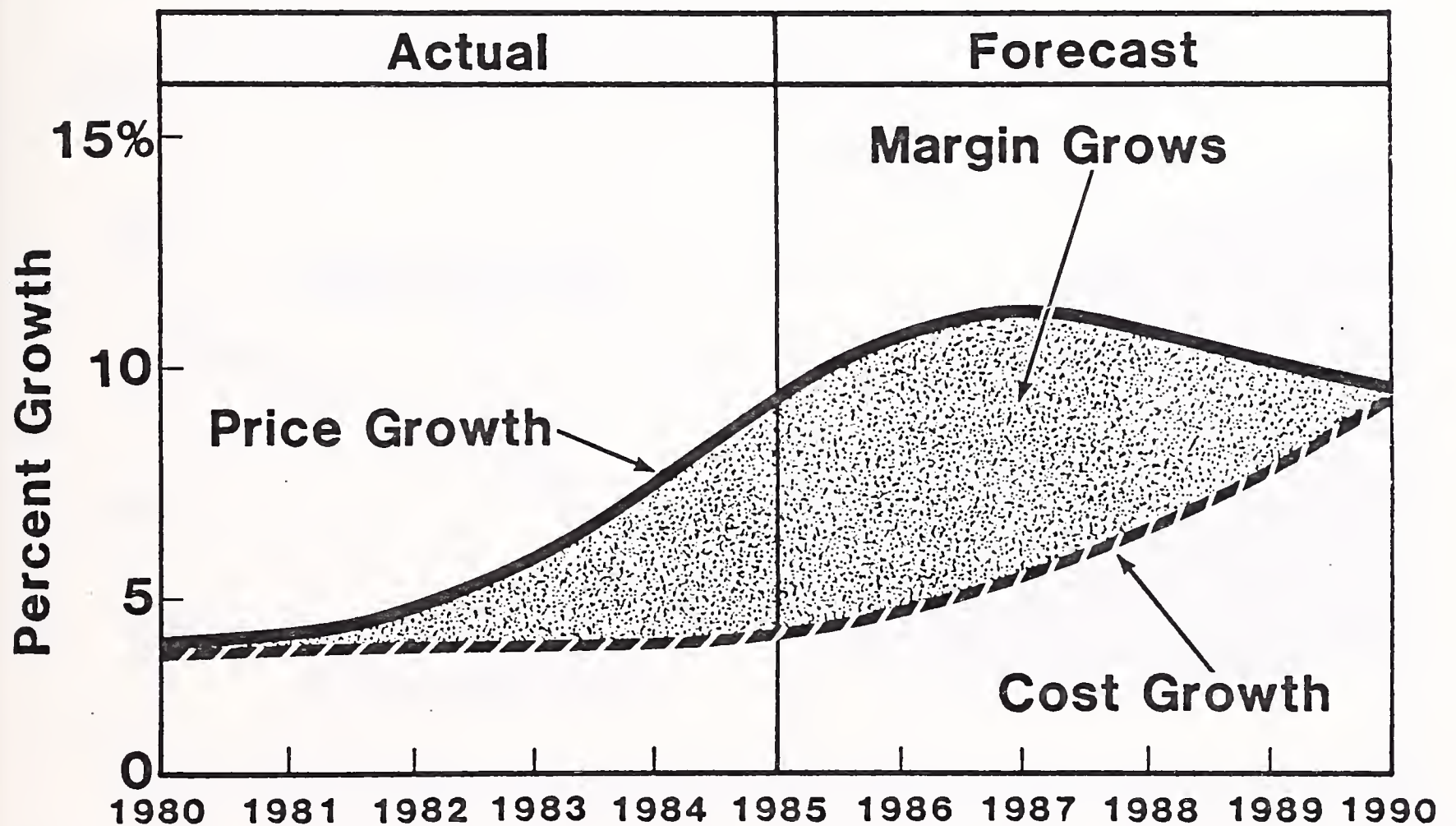
HARDWARE MAINTENANCE MARGIN GROWTH 1980-1990



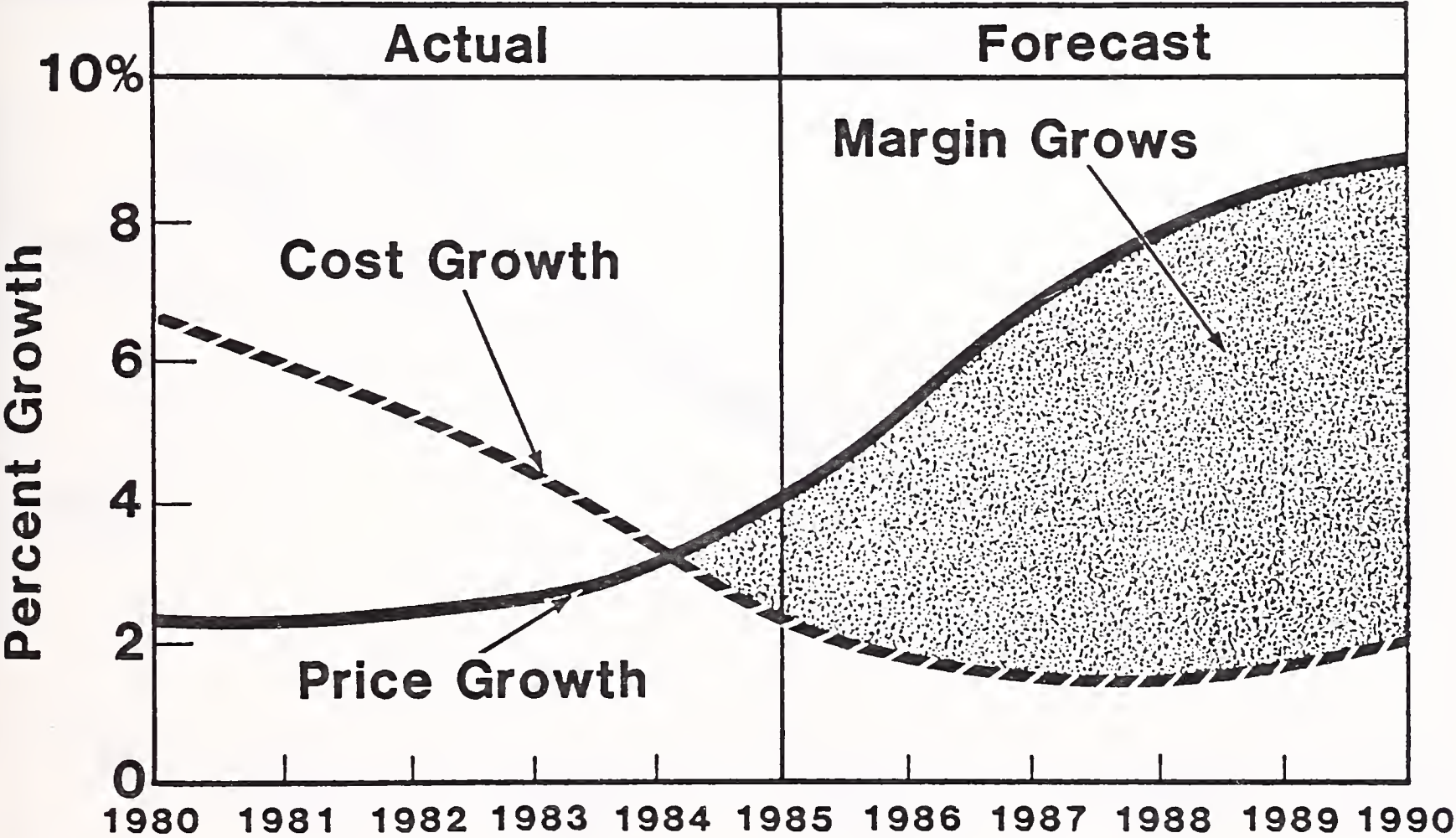
SOFTWARE MAINTENANCE MARGIN 1980-1990



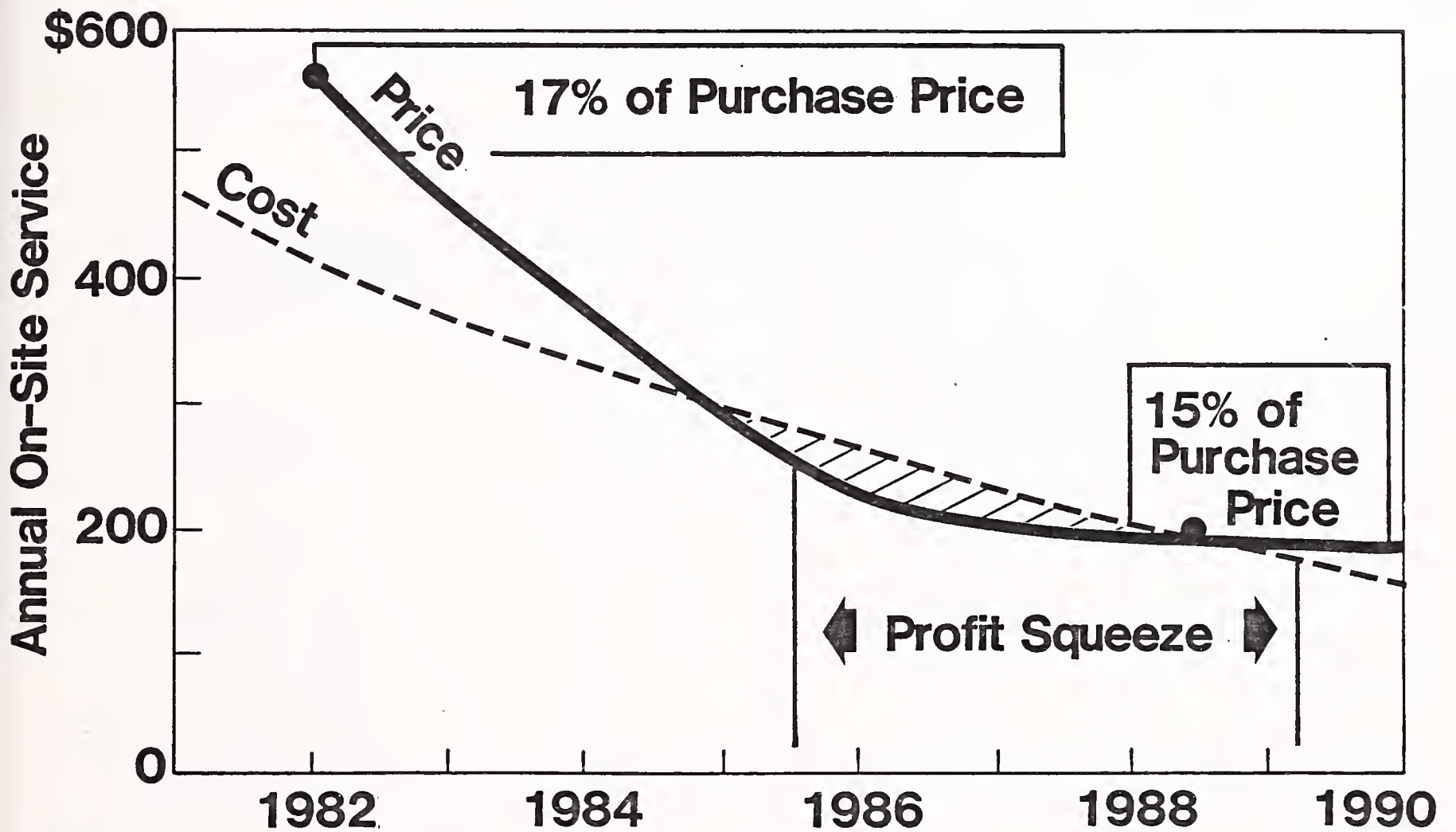
PROFESSIONAL SERVICES MARGIN GROWTH 1980-1990



EDUCATION SERVICE GROWTH
1980-1990



PERSONAL COMPUTER SERVICE PRICES

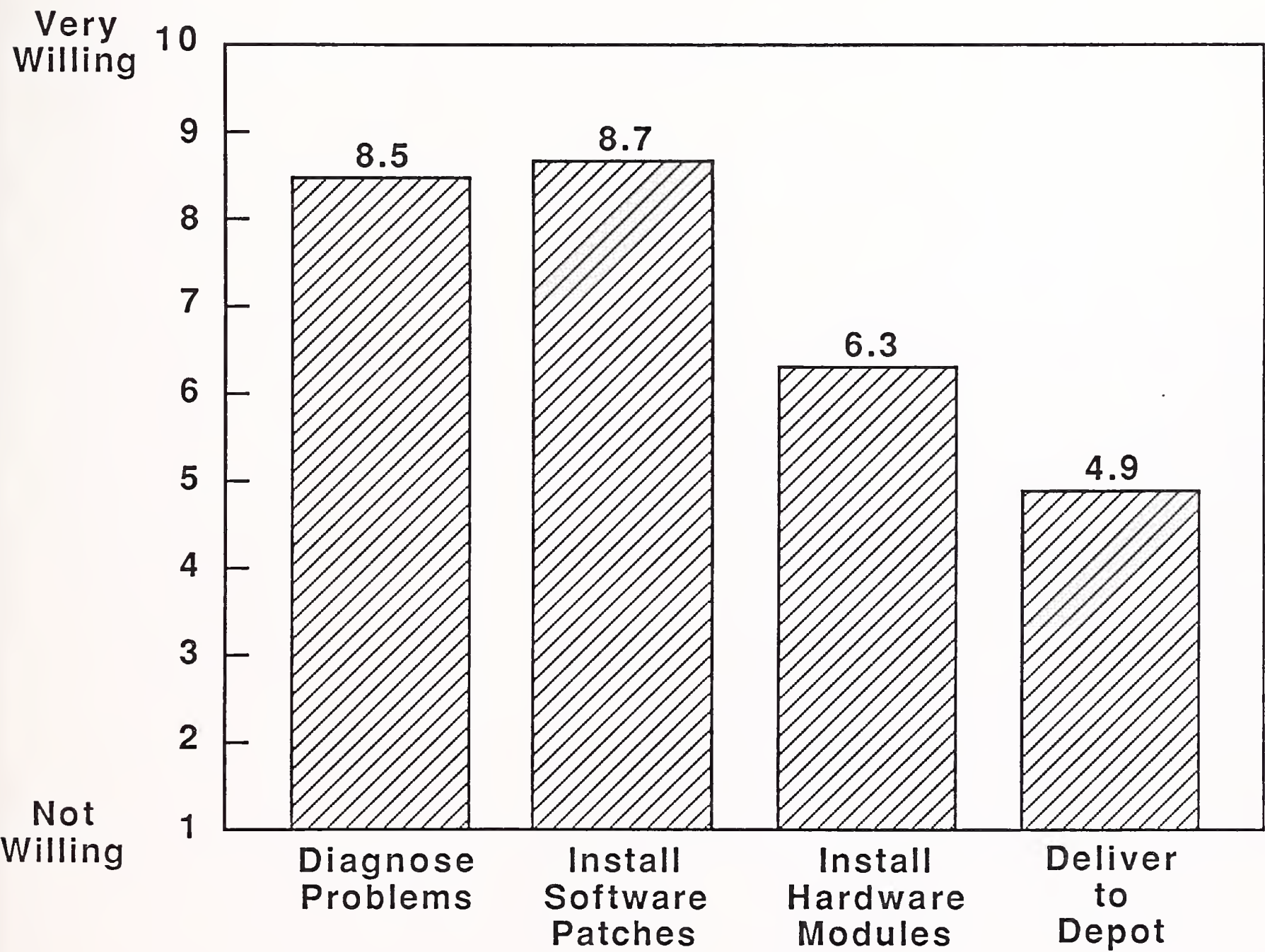


U.S. CUSTOMER SERVICE COST TRENDS, 1982-1985

	1982	1983	1984	1985
Labor	48[*]	38	39	40
Management/ Supervision	6	7	7	7
Benefits	*	6	5	5
Parts	15	17	19	19
Other	16	16	14	12
Net Profit before Tax	15	16	16	17

USER WILLINGNESS TO PERFORM MAINTENANCE

ALL SMALL SYSTEMS USERS



Average Standard Error: 0.4

Sample: 374

